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A Crisis in the U.S. Pork Industry

The Issue:

• The implementation and threat of imposing duties on U.S. imports has resulted in significant retaliation on U.S. pork exports.

• To date, both Mexico and China have implemented new duties on U.S. pork, and an escalation of current trade skirmishes could result in further sanctions.

• Specifically, China imposed a punitive 25% tariff on pork on April 1, 2018, as retaliation for the Section 232 tariffs, and imposed an additional 25% tariff on pork on July 6, as retaliation for the Section 301 tariffs. This is on top of the 12% duty on frozen and 20% on fresh chilled pork China already imposes on pork imports. Furthermore, the Chinese government has restricted U.S. pork exports to Hong Kong by testing every load.

• Mexico imposed a 10% tariff on U.S. pork, which escalated to 20% on July 5.

• Exports are vital to the continued success of Smithfield Foods and our industry. Pork exports support more than 110,000 jobs, many of which are in America's heartland. The toll on our company from escalating trade disputes with critically important trade partners is mounting. Both Smithfield and the industry are feeling the pain every single day.

The Impact:

• Mexico is the largest volume market for U.S. pork and accounted for 33% of total U.S. pork and variety meat exports by volume and 23% by value last year (801,887 mt; $1.5 billion). China is the third largest market for U.S. pork, and accounted for 13% of total U.S. pork and variety meat exports by volume and 10% by value last year (309,284 mt; $663 million). In addition, the U.S. exported 186,353 mt of pork and variety meat valued at $415 million to Hong Kong. Disruptions to these markets, especially Mexico, will have severe economic consequences for U.S. pork producers.

• Iowa State predicts that losses in 2018 will average $17.13 per animal. The same analysis performed before the tariffs in January 2018 showed modest positive profits. The U.S. will slaughter 126.6 million animals in 2018. This means that the industry will incur losses in excess of $2 billion. These enormous losses will continue as long as export markets are restricted. This analysis does not account for the 25% tariff that China implemented on July 6.

• U.S. pork exports are expected to lose 15% of the Mexican market share in just a few months under the tariffs.

• These figures do not account for the economic impact that will result from Mexican customers turning to other countries, such as Canada and the EU, for their pork products. The industry has already seen orders for ham plummet in July when the tariffs went into effect.

The Solution:

• End these trade disputes so that hard-working U.S. pig farmers and food manufacturers can do what they do best: meet global demand for one of our nation's most competitive export products, one that favorably impacts U.S. trade imbalances with countries around the world.

• Pursue new trade agreements with export partners, such as Japan, to create more opportunity for American farmers and food manufacturers.